

# GULF ENERGY DEVELOPMENT PLC

No. 57/2020  
31 July 2020

## CORPORATES

Company Rating:	A
Issue Ratings:	
Senior unsecured	A-
Outlook:	Stable

Last Review Date: 20/12/19

### Company Rating History:

Date	Rating	Outlook/Alert
25/12/18	A	Stable

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## RATIONALE

TRIS Rating affirms the company rating on Gulf Energy Development PLC (GULF) at “A” and the issue ratings on GULF’s senior unsecured debentures at “A-”. The issue ratings being one notch below the company rating reflects the structural subordination of the senior unsecured debentures to the debt obligations of GULF’s operating subsidiaries. At the same time, TRIS Rating assigns the rating of “A-” on GULF’s proposed issue of up to THB12 billion in senior unsecured debentures. The company intends to use the proceeds from the new debentures for business expansion and/or debt repayment.

The ratings reflect the company’s position as one of the leading power producers in Thailand, its well-diversified power generation portfolio, predictable cash flows supported by its long-term power purchase agreements (PPA) with the Electricity Generating Authority of Thailand (EGAT, rated “AAA” by TRIS Rating), as well as proven record of developing and operating power plants.

GULF’s operating performance has been in-line with our expectations. Total operating revenue rose sharply to about THB30 billion in 2019, from THB17.19 billion in 2018. Its EBITDA (earnings before interest, tax, depreciation, and amortization) increased to THB10.54 billion in 2019, from THB7.84 billion in 2018. TRIS Rating expects the company to continue its growth path over the next few years, considering the large number of projects in the pipeline. We do not expect the Coronavirus Disease 2019 (COVID-19) fallout to materially affect the company’s operating performance.

On 7 July 2020, GULF announced its investment in an offshore wind power project with an installed capacity of about 465 megawatts (MW) in Germany. The company, through its subsidiary, will hold a 50% stake in the project. The offshore wind project is expected to generate EBITDA of about THB5 billion per annum. The investment worth almost THB20 billion will be initially funded by bank bridging loans. The recent announcement of capital increase worth about THB32 billion will help strengthen its capital structure and provide more headroom for further investments. The net interest-bearing debt to equity ratio should drop and stay below 2 times during the remainder of 2020.

## RATING OUTLOOK

The “stable” outlook reflects our expectation that the plants in operation will run smoothly and generate cash as planned, while the plants under construction will commence operations as scheduled.

## RATING SENSITIVITIES

A rating upgrade could occur if GULF can maintain its healthy capital structure when pursuing its growth strategy. In contrast, a rating downside may occur if the projects under development are materially delayed from the schedule, subsequently affecting projected cash flows. Any huge debt-funded investment that materially deteriorates the company’s capital structure would also put pressure on the ratings.

**RELATED CRITERIA**

- Rating Methodology – Corporate, 26 July 2019
- Key Financial Ratios and Adjustments, 5 September 2018

**Gulf Energy Development PLC (GULF)**

<b>Company Rating:</b>	A
<b>Issue Ratings:</b>	
GULF221A: THB2,000 million senior unsecured debentures due 2022	A-
GULF241A: THB2,500 million senior unsecured debentures due 2024	A-
GULF261A: THB2,000 million senior unsecured debentures due 2026	A-
GULF291A: THB1,000 million senior unsecured debentures due 2029	A-
Up to THB12,000 million senior unsecured debentures due within 10 years	A-
<b>Rating Outlook:</b>	Stable

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